GOVERNMENT OF MADRAS

FINANCE DEPARTMENT

BUDGET DISCUSSIONS

FOR

1935-36

MADRAS

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BUDGET FOR 1935-36.

20th February 1935.

The Hon. Sir Hopetoun Stokes :—" Sir, I have now the honour to present to the House, for the fifth and last time, the Revised Budget statements for the year 1934–35 just closing, and the Budget Estimate for 1935–36 about to open. Politically the year 1934–35 has been in this Province free from those disturbing agitations which in past years have so often affected, to their financial and economic detriment, various parts of India ; it is indeed a matter for congratulation that those who so long upheld and practised the methods of non-co-operation and civil disobedience have, at long last, come to see their mistake, and, one may hope, to realize the disservice to India and her advancement which recourse to such methods involves. From the agricultural and economic standpoint, however, there is not much comfort to be drawn from the year's record. That prices have shown improvement upon the whole cannot be denied ; the conclusion indicated by the special examination made towards the close of 1934 by the Board of Revenue in consultation with Collectors was that, broadly speaking, upon survey of the eight months ending December 1934, the prices of agricultural products, except those of the garden lands of Malabar and South Kanara, had been rising and had already in many cases reached a point higher than the level of prices during the corresponding period of the previous year, although still lower than those of 1928–29 (fasli 1338) which may be taken as the last year of high prices, and of fasli 1341 (1931–32), the last year in which no concessions were given ; there was also some reason to believe that the costs of cultivation, etc., had been gradually adjusting themselves to the altered conditions. On the other hand, the Government recognized that, having regard to other factors, such as the fall in the sale and lease value of land, and the contraction of credit, the agriculturist, while he might have benefited to some extent by the Prices.

tendency of prices to rise, had still not had sufficient time to recover from the depression to an extent which might justify a complete withdrawal of the concessions given or a material reduction in their scope. In view of these considerations the Government decided to renew, for fasli 1344, subject to a slight modification, the special concessions given for fasli 1343.

"2. Later statistics of the course of wholesale trade prices go to confirm the tendency to improvement which is indicated by the figures of internal prices given by Collectors. As regards rice, it may be admitted that the tendency is not so marked as in the case of other agricultural commodities. The difficulty of judging is, in this Presidency, enhanced by the fact that there is no single controlling market; the statistics, so far as available, seem to indicate that, at any rate, from the end of March to the end of November 1934, prices tended to rise; during December and the first week in January a fall occurred which coincided with the arrival of the new harvest. Since 7th January prices at Cocanada show a slight tendency to recover. As regards cotton, both Westerns and Tinnevellies have improved during January last. Towards the end of that month Westerns were quoted at 150 having been as low as 94 at the end of April preceding and not above 116 at any time last year. The rise in Tinnevellies during approximately the same period has been equally marked. During January 1935, again, a sensational rise took place in the price of coconut oil on the West Coast; it rose from Rs. 66–8–0 on January 5th to Rs. 92–8–0 on January 26th. This appears to have been to some extent a speculative rise in anticipation of a protective duty, but expectations of a short crop seem to have contributed. The price subsequently declined to Rs. 75; on 2nd February it stood at Rs. 80 per candy but has since declined to Rs. 73. The market has been clearly unsettled, but the present ruling price is considerably higher than anything recorded in the past twelve months. Copra has moved in sympathy. Between the 20th December and the 10th January the price of groundnut rose sharply from Rs. 29–12–0 to Rs. 36 and on the 24th January the quotation was Rs. 40–8–0. Here again anticipation of short crop is probably the cause. The recent disturbance in the Bombay and London markets does not appear to have affected Madras. Other indications of approaching improvement are not wanting; in Great Britain trade and business have markedly improved, and the same phenomenon, though less marked, seems to be perceptible in this country. On the whole, therefore, it would appear that the worst of the depression is over, and that we are on the upward grade. But, there are as yet few signs that the idea of national self-sufficiency in an economic sense is losing its hold on the minds of men, and until it does so it appears unlikely that we shall see any widespread modification of the obstacles to international trade, such as tariffs, quotas and the like, which in recent years have done so much to intensify trade stagnation. At any rate, it would certainly be rash to act on any such anticipation in attempting to budget for the next twelve months. To add to our troubles, the rains in this Presidency both during the south-west and the north-east monsoons, have been light (except in the north of the Presidency),

Rice.

Cotton.

Coconut oil.

Copra.

Groundnut.

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unevenly distributed and in a considerable number of districts quite inadequate. The Ceded Districts—i.e., Anantapur, Bellary and parts of Cuddapah and Kurnool—have been specially affected; the situation is being met by the measures usual in such cases. In Bellary and Anantapur test works, in most cases converted to regular famine works, have been opened, and other measures of relief have been, or will be, resorted to as occasion requires. In areas in which 'famine' conditions are not present, relief is being afforded to the cultivator by suspension or remission of kists and takavi loans instalments. Kist suspension or remission has been sanctioned on a liberal scale in the districts of Anantapur, Bellary, Cuddapah, Kurnool, Chittoor, Nellore, North Arcot, Ramnad and Coimbatore. It is anticipated that the cost to our revenues in 1934–35 will be about Rs. 14¾ lakhs and in 1935–36 about Rs. 3½ lakhs in addition to the normal remission and the special land revenue concessions. The greater part of the sums concerned falls on the Revised Estimate for the current year, and to this circumstance is almost wholly due the fact that we anticipate for the first time for five years a substantial revenue deficit.

"3. Bearing all these circumstances in mind, it is obvious that we shall not be justified in framing our calculations for 1935–36 on any expectations of increased affluence, and I believe that the estimates now presented will show that we have not done so. On the other hand, we have striven not to commit the sin of unduly underestimating our resources. My own fear is that our estimates will in the event prove to have been framed, if at all, on too sanguine a basis.

"4. With these preliminary observations, I turn to the Account figures of 1933–34.

Accounts for the year 1933-1934.

REVENUE ACCOUNT.

"5. Taking first the actual figures of the REVENUE ACCOUNT for 1933–34 and comparing them with the Revised Estimate for that year, it will be found that the actual REVENUE fell short of the Revised Estimate by Rs. 25·21 lakhs, the figures being Rs. 1,603·06 lakhs as against Rs. 1,628·27 lakhs. On the other hand Expenditure was less than that anticipated by Rs. 30·85 lakhs and the year 1933–34 closed with a small REVENUE SURPLUS of Rs. 6·25 lakhs as compared with an anticipated surplus of Rs. 0·61 lakh. The shortage in the REVENUE (25·21) occurred mainly under LAND REVENUE and EXCISE, the fall in both cases being due to much the same causes, viz., the occurrence of floods, cyclone or unfavourable season which adversely affected the revenue; it will be recalled that South Arcot and Tanjore suffered particularly severely from cyclone in this year, and special concessions were granted by the Government in that connexion.

"6. To the interruption of work caused by cyclone and flood is also largely due the fact that a decrease of Rs. 5·62 lakhs occurs under the Revenue head XXX. CIVIL WORKS to which transfers are made from

the Central Road Development Account as the works for which the money is given proceed. There is of course a corresponding decrease of expenditure charged to revenue under the expenditure head 41. CIVIL WORKS which discloses a short expenditure of Rs. 20·25 lakhs during the year.

CAPITAL AND DEBT HEADS

"7. In 1933–34 the figures relating to Capital and Debt call, I think, for no special remarks.

'*Cauvery-Mettur Project.*—The total disbursements were Rs. 26·21 lakhs against Rs. 25·68 lakhs anticipated in the Revised Estimate for 1933–34. A sum of Rs. 7·90 lakhs was met from the unspent balance of the loan taken in 1932–33 and the remainder of Rs. 18·31 lakhs was met from the Revenue balances.

'*Pykara, Kattalai and Cochin Harbour works.*—The total disbursements were Rs. 29·40 lakhs against Rs. 30·95 lakhs anticipated in the Revised Estimate for 1933–34. The short disbursement of Rs. 1·55 lakhs occurs partly under the Pykara scheme (·97) and partly under the Kattalai scheme (·58). No loan was disbursed for Cochin Harbour works out of the undisbursed balance amounting to Rs. 8·37 lakhs of the loan taken on the 15th February 1933. But as the works were held up owing to the delay on the part of the Government of India in conveying sanction, the Government of India agreed at our request to permit the repayment of the undisbursed amount and to accept repayment as from the 1st April 1933. The effect of this was that the Madras Government were relieved of an annual equated payment of Rs. 83,400 for a period of 15 years or a total payment inclusive of interest of Rs. 12·51 lakhs against the loan of Rs. 8·37 lakhs, that is to say, a saving of Rs. 4·14 lakhs representing interest.

"The total disbursements under Pykara, Kattalai and Cochin Harbour works including this repayment were Rs. 37·77 lakhs, of which Rs. 17·09 lakhs were met from the opening balance and Rs. 11·87 lakhs from the recoveries under the Provincial Loan Account; the balance of Rs. 8·81 lakhs was found from the Revenue balances.

CLOSING BALANCE FOR THE YEAR 1933–1934.

"8. The actual Closing Balance of the REVENUE ACCOUNT for 1933–34, which will appear as the Opening Balance for 1934–35, works out to Rs. 284·60 lakhs.

Revised Estimate for the year 1934-1935.

REVENUE ACCOUNT.

"9. I now come to the Revised Estimate for the year just closing, 1934–1935. In the Budget Estimate for this year we counted on a REVENUE of Rs. 1,643·63 lakhs; we have only been able in the Revised Estimate to adopt a figure of Rs. 1,602·57 lakhs; the difference (41·06) represents the anticipated shrinkage in our resources. On the

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EXPENDITURE *vide* the Revised Estimate anticipates a decrease of Rs. 17·56 lakhs only, and the result is that the small surplus of Rs. 4·46 lakhs which we hoped to secure when preparing the Budget Estimates is now converted into an expected deficit of Rs. 19·04 lakhs. The anticipated fall of Rs. 41·06 lakhs in revenue is the net result of a series of marked falls under all the more important revenue heads, partly set off by slight improvements under other and less important heads. Among these latter the most encouraging is XXXA. HYDRO-ELECTRIC SCHEMES under which additional revenue from the sale of power is anticipated amounting to Rs. 3·52 lakhs; under head XXVI. MISCELLANEOUS DEPARTMENTS increased receipts of rupees one lakh under the Madras Motor Vehicles Taxation Act is worth noting. These small improvements, however, go but a little way to counter-balance the decline apparent under the more important heads, which are (taking net figures in each case) Rs. 26·12 lakhs under V. LAND REVENUE Rs. 8·61 lakhs under VI. EXCISE and Rs. 12·44 lakhs under VII. STAMPS. The fall of Rs. 26·12 lakhs under V. LAND REVENUE is mainly to be ascribed to the failure, partial or complete, of the monsoon rains in many districts. As I have just observed, it has been necessary on this account to sanction freely remissions or suspensions of kist both wet and dry, and, as a further consequence, it has been necessary to assume a lower percentage of collection to demand. We have yet to receive the final recommendations of the Board of Revenue as to the full extent of the seasonal concessions that may be necessary, and it may well prove that we have allowed too little on this account; should this be so, the anticipated deficit will be increased. A further factor which has contributed about Rs. 2½ lakhs to the decrease in LAND REVENUE is the adjustment in April 1934 instead of in March, of a portion of the concessions granted for last fasli on account of the economic depression. As regards the fall under EXCISE and STAMPS, the same general causes, viz., the slow economic recovery coupled with the seasonal difficulties to which I have alluded no doubt account for the decline. It has affected nearly every head of the Excise revenue and has been accompanied by a most alarming increase in the volume of grave Excise crime, e.g., illicit distillation and kindred offences, which clearly shows that the high price of licit liquor resulting from successive enhancements of taxation has passed the point at which those who use liquor prefer, rather than pay it, to have recourse to illicit practices at the risk of punishment if detected. It has been necessary materially to strengthen the abkari preventive staff, and to sanction, for the arrack lease commencing in April 1935, a reduction of 25 per cent in the still-head duty.

"10. The EXPENDITURE figures of the Revised Estimate for 1934–1935 call for no special remarks. The Revised Estimates show an expected 'saving' of Rs. 17·56 lakhs later which is only about 1 per cent of the total estimated expenditure. It is satisfactory to note that under the expenditure head 41. CIVIL WORKS the anticipated lapse is Rs. 11·32 lakhs only, as compared with a lapse of Rs. 20¼ lakhs in the preceding year. I hope that this may be taken as indicating that our efforts to check 'over-budgeting' of expenditure have had some effect.

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CAPITAL AND DEBT HEADS.

"11. Coming to the CAPITAL AND DEBT HEADS, it will be observed that whereas the Budget Estimate contemplated an expenditure of Rs. 118·16 lakhs on Irrigation (other than the Cauvery-Mettur scheme), on Hydro-Electric works, Industrial Development and Provincial Loans and Advances, the Revised Estimate anticipates an expenditure of Rs. 80·68 lakhs only, a reduction of Rs. 37·48 lakhs. This short expenditure has mainly occurred under Hydro-Electric schemes and principally results from the withdrawal of the scheme for supplying power to Cochin, due to the reluctance of the Darbar to accept the terms offered; to short outlay on the scheme for supplying power to Trichinopoly mainly by reason of saving in the estimated cost and to short expenditure on various minor schemes for the supply of power to various municipal towns. There was also shortfall of the expenditure expected on account of loans and advances by the Provincial Government. The Central Land Mortgage Bank did not find it necessary to take from the Government the advance of rupees one lakh; for the reasons already indicated, we were unable to utilize nearly Rs. 8½ lakhs out of the loan of Rs. 10 lakhs which had been provided for the Cochin Harbour; the demand for advances from cultivators was less by Rs. 2·10 lakhs than had been expected, and lapses amounting to Rs. 9·50 lakhs in the provision for loans to the Madras Corporation are anticipated, mainly owing to the existence in the hands of that body of large unspent balances of loans already made to it. For these reasons it is expected that the amount to be found to finance the Capital outlay contemplated in the Revised Estimate will be reduced by Rs. 38·15 lakhs and we shall require to draw on our Provincial balances for Rs. 50·80 lakhs only, instead of Rs. 88·95 lakhs as provided in the Budget Estimate. It may be noted that the Revised Estimate makes no provision for expenditure during the current year on the Mettur Hydro-Electric scheme, for which estimates amounting to about Rs. 180 lakhs have just been sanctioned by the Secretary of State too late for inclusion in these estimates. A further demand for the sum likely to be needed in the first year will be presented in due course.

CLOSING BALANCE FOR THE YEAR 1934–1935.

"12. After providing for the adjustment of the REVENUE ACCOUNT DEFICIT (19·04) and the withdrawal from the Revenue balances of the sum (50·80) required for the Cauvery-Mettur Project and other Capital expenditure, it is expected that the year 1934–1935 will close with a revenue balance of Rs. 214·76 lakhs.

Budget Estimate for the year 1935-36.

REVENUE ACCOUNT—PART I.

"13. We now come to the Budget Estimate for 1935–1936. It has been prepared on the assumption, for budget purposes only, that the concessions on account of the general economic depression given in the year 1934–1935 will be repeated in its successor. Upon this basis we

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anticipate, taking Part I of the budget only, a REVENUE of Rs. 1,648·80 lakhs and an EXPENDITURE of Rs. 1,611·04 lakhs, representing as compared with the Revised Estimate for 1934–1935 a betterment in Revenue of Rs. 46·23 lakhs and a saving in Expenditure of Rs. 10·57 lakhs. Under LAND REVENUE receipts we have allowed for an improvement, as compared with the Revised Estimate for 1934–1935, of Rs. 37·90 lakhs; this is partly due to the expectation that the monsoons next year will be normal, partly to the slight diminution which has been made in the special land revenue concessions on account of the depression and partly to the expectation that the postponed kists in certain districts affected by the failure of the current year's rains will be collected in the next year; it is expected also that we shall receive some additional revenue (about Rs. 4½ lakhs in all) from the Cauvery-Mettur Project, and the resettlements in certain districts or parts of districts. Under all the other heads of revenue we have not felt justified in taking credit for any material increase; with the exception of XXXA. HYDRO-ELECTRIC SCHEMES, and XXXII. FAMINE. Under XXXA we count on an increase of Rs. 3·76 lakhs which is justified by the highly satisfactory development of our Hydro-Electric enterprises; under XXXII. FAMINE we relieve the Revenue Account by financing from the Famine Relief Fund balances the expenditure on works undertaken for the relief of famine and the Tippayapalam project, a protective work in progress in the Kurnool district. Under XVI. INTEREST, it will be noticed that a fall of Rs. 2·16 lakhs is anticipated owing to the fact that we shall not be able next year to deposit at interest with the Government of India so large an amount of the Provincial balances. It will be observed that the principal heads of Revenue excluding Land Revenue, namely, EXCISE, STAMPS, FOREST and REGISTRATION, remain practically stationary and it is even likely that there will be a fall under EXCISE as the loss due to the 25 per cent reduction of duty on arrack may not be made up by increased consumption or higher rentals for arrack shops. Under LAND REVENUE, for instance, it is doubtful whether the kists of the current fasli in Chittoor, Anantapur and Bellary districts postponed to April 1935, amounting to about Rs. 5 lakhs, for which the budget for next year takes credit, will be realized. It is safer, therefore, to assume that the increase shown under V. LAND REVENUE will be about Rs. 5 lakhs less. The only head which shows a healthy growth is XXXA. HYDRO-ELECTRIC SCHEMES.

EXPENDITURE CHARGED TO REVENUE IN 1935–1936—PART I.

"14. The figures of EXPENDITURE (Part I) charged to Revenue for 1935–1936 may now be touched on. The decrease, as compared with the Revised Estimate for the current year, is Rs. 10·57 lakhs, partly due to the fact that the salary cut of five per cent in the pay of officers under the rule-making powers of the Secretary of State is to be removed; the effect is an increase in expenditure in this province of Rs. 3·52 lakhs a year; this has contributed to increase of expenditure disclosed under the various service heads—8. FOREST, 24. ADMINISTRATION OF JUSTICE,

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26. POLICE, and 22. GENERAL ADMINISTRATION. Under the last head, however, the net increase of Rs. 3·73 lakhs is chiefly due to the provision of about rupees six lakhs on account of the elections to the Provincial Legislature which it has been necessary to include owing to the imminence of the Reforms. Turning to the heads which show decreased expenditure, that under 15. IRRIGATION (— 3·09) is due to the fact that a reduced special provision, as compared with the current year, has been made for the repair of flood damages; under 31. EDUCATION, the reduction is due partly to the fact that the special provision made in 1934–1935 for paying off arrears of teaching grants to the District Educational Councils of South Arcot and Tanjore need not be repeated, while under this head as also under 33. PUBLIC HEALTH, 37. MISCELLANEOUS DEPARTMENTS and 41. CIVIL WORKS—GRANTS-IN-AID, the provision for various grants and new schemes has been made in the Part II estimates. Under 41. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, the saving to the Revenue Account of Rs. 8·12 lakhs is mostly due to our decision to debit expenditure on certain large schemes of medical buildings directly to CAPITAL.

PART II SCHEMES FOR THE YEAR 1935–1936 CHARGEABLE TO REVENUES.

"15. Coming now to PART II SCHEMES for 1935–1936, the demands of the various departments were, as usual, submitted to the scrutiny of the Finance Committee. The Finance Committee decided to recommend acceptance, as urgently necessary (CLASS II), schemes involving a net cost (i.e., after allowing for some slight resulting additional revenue) of Rs. 33·71 lakhs (Rs. 30·47 lakhs non-recurring and Rs. 3·24 lakhs recurring) in 1935–1936 and an ultimate net commitment of Rs. 67·91 lakhs non-recurring and Rs. 4·97 lakhs recurring expenditure. The corresponding gross figures are, for 1935–1936, Rs. 34·03 lakhs of which Rs. 30·54 lakhs is non-recurring and Rs. 3·49 lakhs recurring.

"The Government have decided to make provision for all these schemes. In addition they have been able to find funds for a few other schemes which were placed in CLASS III by the Finance Committee (i.e., schemes which should be taken up as soon as funds are available). The cost of these in 1935–1936 will be Rs. 58,100; the total net cost therefore of Part II Schemes for 1935–1936 after taking into account the additional revenue of Rs. ·29 lakh works out to (Rs. 33·71 lakhs *plus* Rs. ·58 lakh) Rs. 34·29 lakhs against Rs. 39·14 lakhs available.

"The gross demand of Rs. 34·58 lakhs is distributed as follows between 'Reserved' and 'Transferred':—

	LAKHS.
Reserved (inclusive of buildings for Reserved departments)	8·65 (25 per cent).
Transferred	25·93 (75 per cent).

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REVENUE SURPLUS IN 1935–1936.

"16. This, if the anticipations as to revenue are fulfilled, will leave, as a final small SURPLUS, Rs. 4·85 lakhs. It is desirable to retain this small sum in the hands of the Government against unforeseen expenditure, and in this connexion it is to be recalled that, if the postponed land revenue in some districts fails to be realized, the small surplus anticipated, even if no other unforeseen expenditure has to be met, will be converted into a DEFICIT.

CAPITAL AND DEBT HEADS, 1935–1936—PARTS I AND II.

"17. The estimates for the CAPITAL AND DEBT heads (Parts I and II) for 1935–1936 remain to be considered. In all, a sum of Rs. 88 lakhs is required for existing (Part I) commitments. Of this Rs. 4·94 lakhs relates to the Cauvery-Mettur Project; the construction of the dam has been completed and the small demand is intended for works connected with the canals and distributory channels.

"18. Besides the requirements of the Cauvery-Mettur Project, there is a demand of Rs. 83·06 lakhs as follows:—

	LAKHS.
(1) 55. Construction of Irrigation, etc., works (other than the Cauvery-Mettur Project)	13·29
(2) 56 C. Capital Outlay on Industrial Development	·21
(3) 58. Capital Outlay on Hydro-Electric schemes.	34·98
(4) 60. Civil Works—Not charged to Revenue ..	6·49
(5) Loans and Advances by the Provincial Government	28·09
Total ..	83·06

"The demand under the head 55. IRRIGATION WORKS, other than the Cauvery-Mettur Project, is Rs. 13·29 lakhs. The works in question are situated in the delta systems of the Godavari, the Kistna and the Cauvery; and, apart from these, provision is made for the further carrying to completion of the 'Kattalai' scheme proper, the Kattalai North Bank scheme—both in the Trichinopoly district, and improvements to the Vriddhachalam Anicut system (South Arcot). The most important single items in the deltas are the Kistna East Bank canal scheme (total cost Rs. 28·49 lakhs) for which Rs. 8·50 lakhs is required and the improvements to the Peddalanka channel (total cost Rs. 4·29 lakhs) for which a provision of Rs. 1·28 lakhs is proposed.

"There is a proposal to which I shall refer later to take up the work of clearance of silt and special repairs to minor irrigation works on an extensive scale and to meet the expenditure from Capital. A programme is being drawn up, but no provision has been included for it in the Budget Estimate for 1935–1936, either in Part I or in Part II estimates. A sum of Rs. 5 lakhs may be required in the course of next year.

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" Under the head 58. CAPITAL OUTLAY ON HYDRO ELECTRIC SCHEMES, the demand is Rs. 34 98 lakhs This includes expenditure required for the construction of a dam on the Mukurti river for which the Council has voted a supplementary grant in January last; for extending the supply of electric power to Trichinopoly, to the towns of Theni, Periyakulam and Bodinayakkanur in the Madura district and to Negapatam and Tanjore, for completing certain distributive works commenced in the current year in the Coimbatore district and for certain improvements to the present distribution system of the Pykara scheme itself

" The proposals as regards LOANS AND ADVANCES call for no special remark.

" The total estimate of disbursements, in excess of receipts, under Capital and Debt heads (Part I), excluding Mettur Hydro Electric and other schemes specifically referred to above as not being sufficiently advanced for provision in the budget is Rs 54 56 lakhs This amount it is proposed to finance from the Provincial balances

" 19 As regards new schemes of CAPITAL expenditure, the Finance Committee considered twelve, involving a demand of Rs. 5 lakhs recurring and Rs 17 22 lakhs non-recurring in 1935–1936. As the result of the Government's consideration of their proposals, it has been decided to admit and provide for schemes involving an expenditure of Rs 22·55 lakhs (including a deduction on account of anticipated savings, as well as charges for establishment, tools and plant) The total amount to be drawn from the Revenue balances to meet Capital expenditure will thus be, Part I estimates Rs 54·56 lakhs, Part II estimates Rs 22·55 lakhs – total Rs 77·11 lakhs

" The Government propose to take no loans from the Government of India in 1935–1936

REVENUE CLOSING BALANCE AT THE END OF 1935–1936.

" 20. The Closing Balance of the REVENUE ACCOUNT for 1935 1936 works out as follows :—

		LAKHS.
Anticipated Opening Balance in 1935 1936 ..		214·76
Add Anticipated surplus excluding Part II Schemes chargeable to Revenues		39·14
Total ..		253·90
Deduct—		
(i) Provision for Part II Schemes chargeable to Revenues—	LAKHS.	
Class II schemes (net)	33·71	
Class III schemes (provided for)	·58	
		34·29

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(ii) Amount to be utilized for Capital expenditure—

	LAKHS.	LAKHS.
Part I	54·56	
Part II	22·55	
		77·11
Revenue Closing Balance in 1935–1936 ..		142·50

FURTHER DEMANDS AGAINST THE REVENUE CLOSING BALANCE

" 21. I have referred already to the Mettur Hydro-Electric scheme as one for which it will be necessary to provide funds for the initial stage. I have also mentioned a proposal to take up the work of repairing and improving tanks, channels, etc., on a more extensive scale, to be financed from the balances or from loans. This proposal is one result of the Economic Conference held last April in Delhi at which, it will be remembered, the general position was accepted that the time is opportune for a more forward policy in the matter of Capital expenditure in all directions taking advantage of the prevailing cheapness of money. At the Conference the main recommendation adopted to give practical effect to this policy had reference to a proposal to utilize the contributions which each Government receives from the proceeds of the tax on petrol, not only as heretofore directly for the improvement or construction of roads or bridges, but also to pay for the service of loans to be raised and devoted to these objects. Local Governments were invited to formulate actual programmes of such expenditure. This Government has for the past six months employed an experienced Public Works Department officer to work out such a programme, but his report cannot be received in time to enable it to be considered with reference to the present Budget. Apart however from the question of roads, it has appeared to the Government that Capital expenditure might for the same reason be advantageously applied to a more extensive programme of irrigation tank and channel improvement, reconstruction or repair, especially having regard to the very large numbers of these which exist in this Presidency. The cost for upkeep of these is no doubt appreciable but probably implies a less heavy recurring charge than the maintenance of roads, while their execution would enable employment to be afforded over a larger area than would be possible with a mere road programme, and the work would be indirectly, at cost, highly beneficial and remunerative. The scheme, however, like the road programme, has still to be worked out and the sanction of the Government of India to its inception as a Capital scheme will be necessary.

" 22. Lastly, there is the proposal to introduce a scheme of Broadcasting. It will be remembered that the investigation of this question received the general approbation of this House in November 1933 when

it accorded sanction to our employing a broadcasting expert to advise us and to formulate specific proposals. This has been done and in pursuance of the advice given us, we have formulated an outline and submitted to the Government of India a scheme which can be taken up in stages and is calculated in the course of three or four years from its inception to provide the Presidency with a reasonably complete and efficient Broadcasting system. As the House is aware Broadcasting is a 'Central' subject and it is consequently not open to us to proceed independently with the proposals. In these circumstances it would be premature now to include provision for the scheme in the present Budget. Should the Government at a later stage find it possible to proceed and to finance the enterprise, I feel sure the House, to whom of course the proposals must be referred, will not refuse the necessary funds.

" 23. There are still two matters to which it is perhaps desirable that I should refer before attempting a review of our financial policy during the past five years and of our present position: one, the action of the Government in respect of the Central Land Mortgage Bank and the other, the question of the Land Revenue concessions which have been repeated for the fasli ending the 30th June 1935 (fasli 1344) upon a slightly reduced scale as compared with those given for fasli 1343.

CENTRAL LAND MORTGAGE BANK

" 24. As regards the Central Land Mortgage Bank, the Government, in pursuance of the provisions of section 6 of the Act passed by this House in March last, have guaranteed the debentures of the Central Land Mortgage Bank both as to principal and interest subject to an upward limit, as to total amount, of Rs. 50 lakhs at any one time, and as to interest to an upward limit of 5 per cent per annum and, in consideration of this guarantee of the Provincial Government, these securities are entitled to rank as trustee securities within the meaning of the Indian Trusts Act as recently amended by the Central Legislature. This is a very important step, as I hope, in the direction of affording aid to the ryot in facing his many difficulties, for it enables the Bank to provide with greater ease the long term money which is so essential and which the ordinary co-operative credit bank cannot furnish. At the same time, it must not be forgotten that by giving this guarantee the Government have assumed a not inconsiderable ultimate liability, should the Bank be mismanaged and fail to meet its liabilities at any time. The Government therefore have rightly, as I think, required such changes to be made in the Bank's by-laws and constitution as will ensure to them, as ultimate guarantors, a sufficient degree of control over the policy and management of the institution. I do not myself believe that the risk is a serious one, but, such as it is, I believe the Government is fully justified in taking it, having regard to the valuable contribution which such an institution, if properly managed, can make towards solving the great problem of agricultural indebtedness.

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LAND REVENUE CONCESSIONS.

"25. As regards the question of special Land Revenue concessions and the recent Resolution of this House recommending a surrender of revenue by the Government of Rs 371 lakhs, I do not think I need expatiate at great length in view of the recent communiqué published. It suffices to observe that it is quite impossible for the Government to accept a proposal which would have meant crippling its finances and practically disorganizing its entire machinery, besides depriving the numerous and important interests which have hitherto looked to the Government for assistance of a great part if not the whole of the aid they have been receiving. In form, no doubt the Resolution had reference only to a single fasli but, if any one supposes that as a matter of practical administration or practical politics it would be possible to restore such a surrender in full by a stroke of the pen in twelve months' time, he must be a very simple-minded person. The clamour which has been raised in the past few weeks over this question should be sufficient to undeceive him.

"In this connexion, Hon'ble Members may be interested to know to what extent, since these concessions began, the revenues of the Government have suffered. To illustrate this I append the following table :—

Fasli Years..		Total.	1932–1933.	1933–1934.	1934–1935.	1935–1936.	1936–1937.
		LAKHS.	LAKHS	LAKHS	LAKHS	LAKHS	LAKHS.
1342	..	33·38	10·71	22·67	..	..	..
1343	..	61·62	..	41·51	20·11	..	.
1344	..	55·51	..	..	48·06	7·45	..
1345	..	54·69	..	..	..	45·86	8·83
Total loss for faslis 1342 1345		205·20	10 71	64·18	68·17	53·31	8 83

"Assuming that the concessions are given for fasli 1345 on the same basis as in fasli 1344, the cost of the concessions for the four faslis (1342 to 1345 both inclusive) works out to Rs. 205 20 lakhs, well over two crores of rupees.

SURVEY OF FINANCIAL HISTORY AND POLICY SINCE 1930–1931.

"26. Presenting as I do, the Provincial budget for the last time before I lay down my office, I trust the House will bear with me while I survey as briefly as possible the course of our financial history and policy during the past five years. For the year 1930 1931, the budget was prepared by my predecessor, Sir Thomas Moir: it came at the end of a period of affluence and my predecessor was able to point to progress in almost every direction (in so far as progress is synonymous with increased expenditure) and to Provincial balances which amounted

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at the opening of the year to about Rs. 4½ crores. The year 1930-1931 closed with a deficit of Rs. 105¾ lakhs against a deficit of Rs. 16·61 lakhs estimated by Sir Thomas Moir, and of Rs. 56·39 lakhs anticipated in the Revised Estimate for that year. For 1931-1932 at the time of presenting the Budget, we hoped for a small deficit of Rs. 9·45 lakhs; this proved to be too sanguine and the Revised Estimate for the year contemplated a deficit of Rs. 50·74 lakhs; the actuals however showed, mainly as the result of our effort at retrenchment and of a tendency of the Excise and Stamp revenue to recover, a small surplus of Rs. 5·41 lakhs. During 1932-1933 Excise revenue made a remarkable further recovery and in the Revised Estimate we hoped for a surplus of Rs. 62·77 lakhs; in the actuals this was bettered, the realized surplus being Rs. 77·21 lakhs. In the next year 1933-1934, the figures were, Budget Estimate + Rs. 4·08 lakhs, Revised Estimate + Rs. ·61 lakh, and Actuals + Rs. 6·25 lakhs. For 1934-1935, the 'actuals' are not yet available but the Budget Estimate contemplated a small surplus (Rs. 4·46 lakhs) and the Revised Estimate anticipates, for the first time since 1930-1931, a deficit of Rs. 19·04 lakhs. Since 1932-1933, the revenue has been reduced on account of the special 'economic depression' remissions by sums amounting to Rs. 10·71 lakhs, Rs. 64·18 lakhs, Rs. 68·17 lakhs and Rs. 53·31 lakhs in each of the years 1932-1933 to 1935-1936 (both inclusive). During the same period provision has been made for Part II Schemes as follows :—

	LAKHS.
1932-1933	8·76
1933-1934	43·98
1934-1935	23·76
1935-1936	34·58

"In other words, we have been able, in addition to the special land revenue remissions, to allocate about Rs. 28 lakhs yearly for new schemes of expenditure. No additional taxation has been imposed, apart from the resettlements which have taken place in certain districts and which will ultimately add to our revenue about Rs. 20 lakhs a year. Of the retrenchments enforced in and after 1931-1932, we have been able to restore various items which in 1935-1936 involve an additional expenditure of about Rs. 20½ lakhs; of this Rs. 4·95 lakhs (or 24 per cent) relates to the 'Reserved' and Rs. 15·56 lakhs (or 76 per cent) to the 'Transferred' departments.

"27. The above analysis of the budgets since 1931 indicates, I think, that after one or two violent oscillations we have been able to steady the pendulum and to achieve at least from the end of 1932-1933 what may perhaps be regarded as reasonable equilibrium between revenue and expenditure charged to revenue. This has been from the early stages of the depression our accepted policy. In my speech introducing the Budget for 1931-1932, I emphasized this, remarking that 'to adjust more closely revenue receipts and revenue expenditure should . . . be the main object of our policy, balances or no balances.' It has been possible to achieve this by a strong control over expenditure, by closer

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budgeting and by striving to eliminate wasteful spending. The deficit in the Revised Estimate for the current year is to be ascribed to the temporary strain caused by the failure of the rains. As against famine expenditure proper, our famine fund is well-stocked, sufficient I believe for any demand for relief measures that is likely to arise. Our debt position is a strong one; my predecessor utilized a part of the Provincial balances to reduce outstanding debt, and was able in 1929–1930 and 1930–1931 to repay Rs. 279·76 lakhs of debt; on the 1st April 1931, our debt amounted to Rs. 1,552·29 lakhs, of which Rs. 1,501·45 lakhs was 'productive' and Rs. 50·84 lakhs 'unproductive'; these involved respectively annual interest payments of Rs. 65·05 and 3·03 lakhs. On the 1st April 1936, our debt will stand at Rs. 1,602·84 lakhs, of which Rs. 1,582·11 lakhs is 'productive' debt with an interest charge of Rs. 67·66 lakhs, and Rs. 20·73 lakhs is 'unproductive' debt, involving an annual interest charge of Rs. 1·40 lakhs. This represents an increase of debt of about Rs. 50 lakhs only in the quinquennium. The Government of India having declined to accept premature repayment of their loans either from open market borrowings or from our balances, we decided to continue the policy, which had been begun in 1928–1929, of applying those balances as far as might be necessary in financing important capital works; if unable to use the money for paying off debt, the next best thing was to employ it in the avoidance of debt. Since the end of 1932–1933, we have ceased to borrow and from 1928–1929 up to the end of 1935–1936 we shall have advanced from our balances about Rs. 249 lakhs for remunerative capital expenditure. It will be open to us at any future time to fund the whole or part of this money by borrowing to recoup our balances, if we should find it advantageous. On the other hand, should we prefer to finance future capital expenditure from new loans, it is open to us to do so, and our position as borrowers will be all the stronger from having created in the meantime, with a comparatively small recourse to borrowed funds, a number of highly valuable assets. Among these may be mentioned the greater part of the Pykara Hydro-Electric Scheme and its distributaries; the Cauvery-Mettur Project in its later stages; the Kattalai scheme, almost wholly, and various other important irrigation schemes with the details of which I need not trouble the House.

"28. The weakness of our position consists in the absence of elasticity in our revenues, in the fact that they show—speaking broadly—no appreciable tendency to recover, and that for about three-fourths of our revenues we depend on two sources only, Land Revenue and Excise. The last mentioned point is one to which attention has been repeatedly drawn both by my predecessors and myself; I feel, personally, that the question of discovering some fresh source of revenue cannot now be long deferred, with the object of placing our finances on a broader basis. As to the present tendency of our revenues to stand still or even to recede, I do not think it necessary to take a wholly gloomy view. But I feel sure that the recovery, as I have more than once observed in addressing this House, must be slow; we are not to expect a phenomenal rise in prices comparable to the catastrophic fall which took place in the past

three years. This means that for a good many years to come we shall have to be content (unless new sources of revenue are tapped) with such limited advance from year to year as our slowly expanding revenues will permit; and such a position, I fear, will prove a trying one to the popular patience; for I am far from regarding a yearly allotment of Rs. 28 lakhs or so as being at all commensurate with the needs and requirements of this Presidency. Had it not been for the necessity we have been under of granting special land revenue concessions, it will be seen from the figures I have quoted that we should have been able to allot yearly something like Rs. 50 or 60 lakhs more to satisfy in greater measure the numerous and urgent calls upon us.

"29. Such then is our position and such our policy during the past five years. It has been governed throughout by one other ruling consideration of which I have not yet spoken, though on previous occasions I have emphasized it—the necessity of so ordering our finances as to ensure to those on whom under the new constitution will fall the direction of affairs, a reasonably favourable start. Nothing would have been easier than to have adopted a spendthrift policy; nothing more likely than such a policy to gain a passing popularity, or to win the unthinking applause of those who do not look beyond the convenience of the moment; but also nothing could be more disastrous than such a policy or more detrimental to the fair prospects of the great constitutional experiment so shortly to be inaugurated.

Conclusion.

"30. With these observations, Sir, I commend the estimates to the acceptance of the House. Before I conclude, however, I desire to convey, on behalf of the Government and myself, our cordial acknowledgments for the valuable work of the Finance and Public Accounts Committees during the past year. I do this, Sir, not as a matter of form, but as a genuine expression of our sense of obligation. The Finance Committee's handling of the questions submitted to them has been most helpful. We may call them the watch-dogs of current financial activities, mainly of course expenditure, while the Public Accounts Committee sits in judgment on what has been done already. It would, however, be a mistake to suppose that its scrutiny and advice are any the less useful or necessary on that account; its views and its rulings have afforded us most valuable guidance, and will, I doubt not, continue to command the greatest respect in the future as heretofore.

"In conclusion, Sir, I would ask your permission, and that of the House, to express their appreciation as well as my own of the work of the officers and staff of the Finance Department during the past year. In doing so, I pay no merely formal compliment; for no one knows better than myself with what loyalty and ability they have worked and to what a strain they have been subjected not in the past year only but throughout the difficult years of depression through which we have passed." (Applause.)

ANNOUNCEMENT *RE* TIME-LIMIT FOR SPEECHES ON THE BUDGET.

The Hon. the PRESIDENT :—"The general discussion on the budget will commence on the 22nd February 1935. During the discussion, I propose to prescribe a time-limit of 20 minutes for the speech of the leader of a party and 10 minutes for the speech of any other Member. I would suggest that the reading of manuscript speeches should be exceptional. In regard to such speeches I propose to prescribe a time-limit of 6 minutes. The afternoon of Monday, the 25th February 1935, will be at the disposal of the Hon. Members of Government to make their replies."

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